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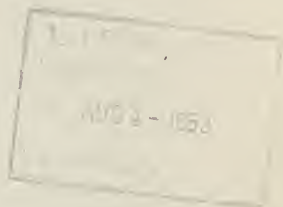
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VIEWS OF INDEPENDENT GROCERS ON WHOLESALE-RETAILER RELATIONS



UNITED STATES DEPARTMENT OF AGRICULTURE
Production and Marketing Administration

Washington, D.C

June 1953

This is the third report issued under a research project covering wholesaler-retailer relations. The objective of this project is to find ways to hold down the costs of distributing food through proper cooperation among wholesalers and retailers.

Preparation of this report was made possible through the cooperation and assistance of two national wholesale grocery associations and many independent retail grocers. Special credit is due the following wholesale grocery companies: Armstrong Grocery Co., Sharon, Pa.; E. Bierhaus and Sons, Vincennes, Ind.; Bursley and Co., Fort Wayne, Ind.; Fox Grocery Co., Charleroi, Pa.; Hanaford Brothers Co., Portland, Maine; C. B. Ragland Co., Nashville, Tenn.; Salley Grocer Co., Bernice, La.; and P. A. & S. Small Co., York, Pa.

R. W. Hoecker, Staff Assistant for Distributive Research, Marketing and Facilities Research Branch, supervised the study.

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The study on which this report is based was conducted under authority of the Agricultural Marketing Act of 1946 (RMA, Title II).

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SUMMARY

One of the most significant trends in food marketing during recent years has been the development of closer cooperation between independent retailers and the grocery wholesalers who serve them. Many wholesalers have established or are seriously considering the establishment of broad programs to assist retail grocers in becoming more efficient and effective operators.

This is a summary of questionnaires returned by 1,695 independent grocers giving their views on wholesaler assistance programs. The retailers covered in the survey were customers of eight wholesalers selected to represent houses with different points of view on the extent to which retailer assistance should be offered. Completed returns were received from 1,439 grocers to whom questionnaires were sent and 256 interviews were made among grocers who did not respond by mail.

Wholesale grocers attempting to service independent grocers face some difficult problems in developing and operating programs of assistance. Data obtained in this study indicate that, although many independent retailers welcome help, they are not in agreement on the need for and value of specific forms of assistance. Their views vary with the kind and quality of assistance offered by wholesalers, retailer business volume, nature of retailer's trade territory, proportion of groceries bought from the wholesaler, retailer cooperativeness, and retailer business ambitions.

In considering programs of assistance, it would be well for wholesalers to recognize three distinct groups of retail grocers. The first is a group of grocers who have little interest in the usual kinds of assistance offered by wholesalers. Many of these are stores operated by elderly couples who have been in business a long time, and firms that have a business volume of less than \$1,000 per week. Sales are based on proximity to the customer's home, ready credit, and neighborly association. Considerations of price, merchandising, and store appearance are not of primary concern to their customers.

The second is the group of grocers most interested in wholesaler assistance. These stores are usually operated by persons less than 45 years of age who are concerned with making a success of their businesses. Most of the grocers in this group have a gross volume between \$1,000 and \$6,000 per week, and feel they can increase their sales with proper advertising, merchandising, and store organization. Many of these grocers lack the resources in money and personnel to undertake such actions alone. Therefore, they seek assistance from outside sources, particularly the wholesaler from whom they purchase most of their groceries.

The third group is interested in assistance but is less dependent on the wholesaler for it. These stores usually have a gross volume of more than \$6,000 per week and are located in urban or suburban areas. This group is almost always promotion-minded, and their customer-relations programs are usually original and creative. They often have the resources to undertake the store improvements and promotions they believe necessary; many of them buy a large part of their goods direct from manufacturers and processors, and look to them, as well as to the wholesaler, for cooperative advertising and merchandising programs.

The major kinds of assistance made available by wholesale grocers are: (1) Information to guide retailers in purchasing and pricing, (2) cooperative advertising and promotions, (3) store engineering and layout, (4) record-keeping assistance, and (5) training store personnel. These forms of assistance are received by the grocers with varying degrees of interest.

Almost all the grocers studied were interested in information that helps them to establish sound retail selling prices; 85 percent of the retailers surveyed reported that they had received pricing assistance from their wholesalers. More than 27 percent of the grocers suggesting improvements in pricing assistance desired information on competitive selling prices in their trade territory.

Wholesaler cooperation in advertising and promotions is of particular interest to the second and third groups of independent grocers described. Almost 82 percent of the grocers reported receiving wholesaler assistance on promotions. Most grocers feel that the cooperative advertising done by their wholesalers is good; few have specific suggestions for its improvement. Some, however, would like to have the wholesalers do "institutional advertising" aimed at telling customers why they should buy their groceries from independent grocers; they feel that this kind of advertising might be even more helpful than the price and promotional types. Other retailers suggested that the wholesalers consult more with them on advertising and promotional programs. Most often suggested as a means of retailer participation was a committee of representative grocers to meet and work with the wholesaler in planning such programs.

Assistance on store layout and engineering is welcomed by most of the grocers in the second group and by many in the third group. These grocers are particularly interested in ideas on store layout and assistance in purchasing and financing necessary equipment and fixtures. Where a grocer contemplates making substantial changes in the store building or interior, usually he is interested in having the wholesaler assist in supervision of the construction work.

One out of four of the grocers surveyed reported he had received record-keeping assistance from his wholesaler. Operators of small stores felt that little bookkeeping was needed for their operations. Operators of larger stores, on the other hand, felt that they could hire trained persons to do their bookkeeping. Most grocers desiring assistance were interested in guides and forms which would facilitate their record keeping.

Assistance in personnel training is wanted by operators of larger stores in the second group and by most of those in the third group. These grocers employ from 3 to 30 people in their stores and are aware of their own limitations for proper training of their employees. Grocers in the smaller stores tend to be satisfied with pamphlets, bulletins, and other printed material on store operations. Those in the larger stores, however, want to have regular classes or clinics to which they can go or send their employees.

Retailer views varied on the advantage of having grocery wholesalers handle perishable food lines. In general, grocers buying from wholesalers carrying perishable foods said they liked the plan. Retailers buying from wholesalers who do not carry perishable foods were less ready to accept their grocery supplier as the source of additional food lines. Nevertheless, more than 29 percent of the customers of wholesalers not carrying frozen foods said it would be helpful if their wholesalers carried the line, and 24 percent favored the addition of produce. Fewer retailers favored the carrying of fresh meats or dairy products by their grocery wholesalers. Some retailers belonging to voluntary groups suggested that their grocery wholesalers make arrangements with bakery, frozen food, fresh meat, and produce handlers to supply them with these products. Grocers said this practice would provide the group of stores with the same brands for advertising purposes.

Few of the retailers had strong preferences on methods of wholesale pricing. Almost 26 percent stated it made no difference to them what kind of pricing system their wholesalers used. The cost-plus system of pricing was the only system some grocers favored over the present methods of their wholesalers. Most of the grocers favoring this system of pricing were the larger ones in the second group and the ones in the third group.

Most retailers were satisfied with whatever system their wholesalers currently employed in taking grocery orders. However, many of the firms in the second and third groups preferred order forms, since they were helpful in checking their stock and making out the order, and made unnecessary regular visits by a salesman.

Because delivery is a major item in wholesaler operating costs, numerous proposals for reducing delivery costs have been discussed by

the industry. The percentage of retail customers willing to accept cost-saving delivery proposals, where not practiced now, were as follows: Minimum-size orders, 50 percent; once-a-week delivery, 50 percent; assisting drivers in unloading merchandise, 30 percent; accepting grocery orders at time of delivery without checking, 29 percent; paying driver for merchandise delivered the previous trip and eliminating all other credit, 33 percent.

Wholesale grocers attempting to sell to all three groups of retailers face some difficult problems. For example, a single pricing policy and a single program of assistance would appear not to be satisfactory to the different kinds of retailers or to the wholesaler. The solution seems to lie in recognizing the different needs of grocers, in being aware of the factors that produce a desire for closer wholesaler-retailer teamwork, and in tailoring policies and programs to meet the needs of different grocers.

VIEWS OF INDEPENDENT GROCERS ON WHOLESALER-RETAILER RELATIONS

By John C. Bouma and Martin Kriesberg,
marketing specialists
Marketing and Facilities Research Branch
Production and Marketing Administration

SCOPE AND METHOD OF STUDY

A significant development in food marketing in recent years has been the closer cooperation between independent retailers and the grocery wholesalers who serve them. Many wholesale grocers have taken the lead in showing retailers how to utilize modern merchandising methods and more efficient operating practices. Other wholesalers are considering comprehensive programs of assisting their retail customers. Retailers, in turn, are adopting more efficient purchasing practices and cooperating with wholesalers for more effective merchandising.

Because wholesale grocers occupy a strategic position in the marketing channel and have intimate knowledge of how thousands of retail grocers operate, they are in a position to assume the leadership in making independent retailers more efficient and effective operators. As the independent grocers and their wholesalers are so important in the marketing of foods, any efficiencies they introduce can help hold down the over-all costs of marketing food from farmers to consumers.

The wholesaler is a key figure in raising the operating efficiency of independent grocers. Although there are a number of periodicals and trade associations in the retail grocery field which serve the industry in many ways, the wholesaler's representative is probably the principal source of information and advice to many small independent grocers. He is in a position to relate the best knowledge of the industry to the needs of the individual grocers upon whom he calls. As a regular visitor who knows the grocer's business, the wholesaler's representative is often placed in the role of an adviser.

In assuming leadership, wholesale grocers take on some responsibility for the development of their retail customers. Acceptance of this responsibility is shown by the number of wholesalers now offering substantial retailer assistance and the number considering such action. This report is designed to help wholesalers plan cooperative programs to meet retail grocers' expressed needs and thereby contribute to efficiency at both levels of the marketing system.

This study covers the principal kinds of assistance offered by grocery wholesalers. They include: (1) Market information and other aids to guide retailers in pricing and purchasing, (2) cooperative advertising and promotions, (3) store engineering and layout, (4) training of store personnel, and (5) record-keeping and accounting assistance. Retailers were asked which of the services they had received, the extent to which they used them, and how the services could be made more helpful.

Information also was obtained on the retailer preference for alternative methods of placing orders with the wholesalers and ways of setting wholesale prices. The retailers' reaction on several proposals to reduce the cost of delivering merchandise from the wholesaler to the retailer was also obtained. The proposals included: One delivery per week, minimum-size orders, retailer assistance in unloading merchandise, retailer acceptance of orders without checking at time of delivery, and paying delivery truck drivers. Preferences were reported as to the helpfulness of having grocery wholesalers carry lines of produce, meats, dairy products, and frozen foods. Additional data were obtained on the number of wholesalers supplying the retailer with groceries, produce, meats, dairy products, and frozen foods, and the percentage of groceries bought from the wholesaler being studied. The gross volume of business done by the retailer for the years 1949-51 was obtained, together with other data about his operations.

The data were obtained by a questionnaire sent to approximately 3,100 retail food customers of eight wholesale grocers, selected from among the wholesalers participating in two previous studies on wholesaler-retailer relations conducted by the U. S. Department of Agriculture. 1/ Four of the wholesalers have an affiliated group 2/ of retail customers; the other four do not. While the wholesalers were selected to represent firms offering different kinds of service to retailers and viewing retailer assistance programs differently, as a group, they are probably more retailer-minded than a chance selection of wholesalers. In turn, the grocers surveyed were probably more familiar with wholesaler assistance than a random selection of retailers.

A questionnaire was mailed to every customer of each wholesaler; 3/ 1,439 grocers returned completed questionnaires. A sample of 256 of the 1,661 grocers who had not responded to the mail survey were interviewed. Thus, the views of grocers were obtained who may have found it difficult or were reluctant to express themselves by filling in the questionnaire. A comparison between responses received by mail and those

1/ John H. Davenport and R. W. Hoecker. "How Some Wholesale Grocers Build Better Retailers." MRR No. 12. PMA, U. S. Dept. Agr. 1952.

Martin Kriesberg. "Methods of Handling and Delivering Orders Used by Some Leading Wholesale Grocers." MRR No. 13. PMA, U. S. Dept. Agr. 1952.

2/ As used in this report an affiliated or voluntary group of retailers means a number of retailers having an agreement with a sponsoring wholesaler in which mutual cooperation is pledged.

3/ The name of the wholesaler with whom the retailer did business was inserted on the questionnaire and the grocers were asked to give their views on the kinds of policies and programs offered by that wholesaler.

obtained in personal interviews was made; a special weighting of the sample of non-respondents was not warranted. From the personal interviews additional information was obtained about the retailers, such as the customer services they offered, the kind of neighborhood in which the store was located, age and sex of the owners, and their general views on cooperation. In all, data were obtained from 1,695 or approximately 55 percent of the retail grocers in the survey. 4/

4/ Those on the wholesalers' lists who did more than 50 percent of their volume in nonfood lines were excluded from the study. Some grocers did not answer all the questions on the schedule, hence the number of retailers reported in subsequent tables does not always total 1,695.

DESIRE FOR WHOLESALER ASSISTANCE BY TYPES OF RETAIL GROCERS

Although most retail grocers surveyed felt assistance from their wholesalers was helpful, they were not wholly in agreement on how valuable the aid was or on the relative merits of different kinds of assistance. Moreover, there was a strong feeling among grocers who had given considerable thought to the problem that assistance by the wholesalers should be tailored to the individual needs of the grocers if it is to be most effective. The findings reveal some of the factors that account for differences of opinion and how different types of independent retailers view wholesaler assistance.

Factors Affecting Retailer Use of and Desire for Assistance

In general, the survey showed that a grocer tends to accept the wholesaler's program of assistance—or absence of assistance—as proper practice; few have given thought to other possibilities. Analysis of data obtained in this study shows 64 percent of the grocers who wanted a great deal of assistance were customers of wholesalers offering extensive assistance. In contrast, only 15 percent of the grocers who wanted a great deal of assistance were customers of wholesalers offering little assistance. Of the grocers indifferent to wholesaler assistance, more than 50 percent were customers of wholesalers offering little assistance. Table 1 shows that retailers, classified according to their desire for wholesaler service, do business with like-minded wholesalers.

Table 1.--Relationship between assistance available from the wholesaler and retailer desire for wholesaler assistance 1/

Retailer desire for assistance	Assistance available to retailers:			All retailers	
	Extensive	Moderate	Limited	Percent	Number
	Percent	Percent	Percent	Percent	Number
Extensive.....	64.0	21.4	14.6	100.0	336
Limited.....	30.4	41.7	27.9	100.0	1,121
Indifferent.....	16.8	32.9	50.3	100.0	149
Total number of retailers.....	572	599	435		1,606

1/ As used in this report, assistance "available" to retailers means that the wholesaler is ready to render the aid indicated if the retailer wishes it. Availability was determined in the survey by the retailers' report that he had received such assistance or that he knew he could receive it on request.

These data suggest that where wholesalers take the leadership in making assistance available, many retailers will welcome such help. Probably many retailers want and will utilize assistance but few have the experience to suggest specific forms of wholesaler aid. Although data in table 1 indicate there is a place for wholesalers who do not offer assistance, it is well for wholesalers to note the kind of grocers who are indifferent about assistance.

The volume of the retailer's business

Small retailers, those with a volume of business below \$1,000 per week, tended to be unconcerned about promotions, store improvements, or other kinds of wholesaler assistance usually offered them. As volume of business increased above \$1,000 per week, the retailer became more concerned about wholesaler assistance. This trend apparently continues to the point where volume of business and resources permit a retailer to undertake the merchandising, advertising, and store improvement activities as he wishes without assistance from the wholesaler. Table 2 shows the percentage of retailers, classified by volume of business, who used wholesaler assistance.

Table 2.--Retailers using specified wholesaler services, by volume of business

Weekly business volume	:Number :of re- :tailers:	:Promo- :tions :neering:	:Store : :engi- :neering:	:Record : :keeping:	:Store : :per- :sonnel :	:Average
	:Number	:Percent	:Percent	:Percent	:Percent	:Percent
Under \$1,000.....	554	: 75.3	: 23.4	: 18.8	: 13.9	: 32.8
\$1,000 to \$2,000.....	495	: 83.2	: 47.3	: 31.3	: 28.7	: 47.6
\$2,000 to \$4,000.....	319	: 89.3	: 57.7	: 29.5	: 30.7	: 51.8
\$4,000 to \$6,000.....	66	: 92.4	: 69.7	: 30.3	: 36.4	: 57.2
\$6,000 and over.....	55	: 78.2	: 56.4	: 30.9	: 38.2	: 50.9
Number of retailers....	: 1,218	: 625	: 390	: 362	:	:

The different services offered by wholesalers were used in varying degrees by retailers. For example, more than 75 percent of the retailers having a business volume of less than \$1,000 used promotional assistance although less than 14 percent used assistance in training store personnel. There were also variations in the use of specified wholesaler services by store volume; for example, less than 24 percent of the grocers having a business volume under \$1,000 per week used store engineering assistance, whereas more than 69 percent of the retailers with a business volume of from \$4,000 to \$6,000 used this service. By averaging the proportion of grocers using different wholesaler services, the influence of retailer volume on use of services can be shown (fig. 1).

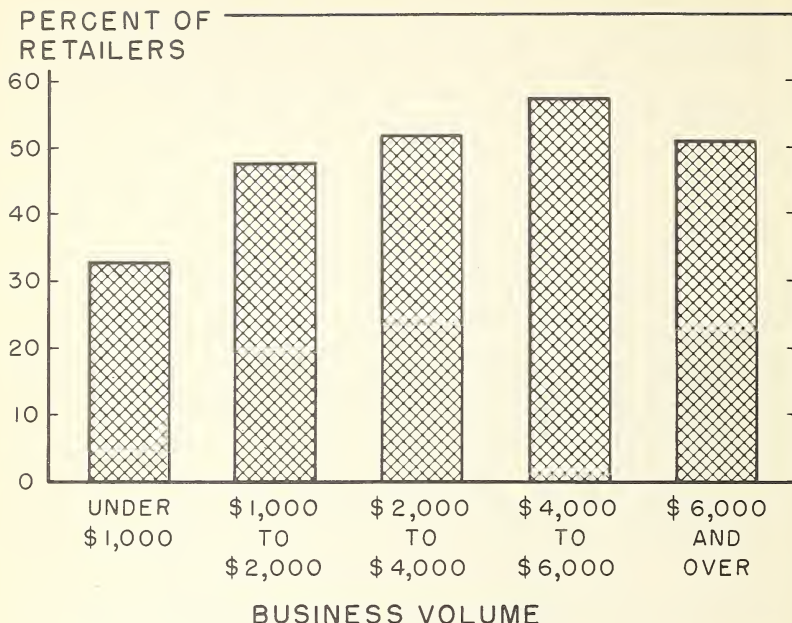


Figure 1.--Influence of volume of retailer business on use of wholesaler services.
(Percentages in the bar chart are an average of the proportion of retailers using selected wholesaler services.)

Grocers having a business volume of between \$1,000 and \$6,000 per week represented 59 percent of those surveyed whereas 37 percent of the grocers had a volume less than \$1,000 per week and 4 percent had a volume in excess of \$6,000 per week. ^{5/} The limited number of stores

^{5/} Industry estimates show the distribution of independent grocers in the United States by 1952 business volume as follows:

Under \$50,000 annually.....68.8 percent
\$50,000 to \$300,000.....28.3 percent
Over \$300,000 annually..... 2.9 percent

Source: Progressive Grocer, March 1953.

in the survey with a volume in excess of \$6,000 per week prevents further breakdown by business volume in the use of wholesaler assistance; however, it might be expected that, as business volume continues to increase above \$6,000 per week, the trend in the use of wholesaler assistance would continue downward.

The nature of the retailer's trade territory

Grocers in rural areas and small town communities tended to be skeptical about the value of promotions, modern store layout, or "fancy" fixtures; on the other hand, grocers in urban areas often felt they must operate like the supermarkets and they wanted help in establishing such a business. Table 3 shows the percentage of retailers by location of business who wanted wholesaler assistance.

Table 3.--Relationship between population of place of retailer business and their desire for wholesaler assistance

Population of place of retailer business	Retailer desire for assistance			All retailers	
	Extensive	Limited	Indifferent	Percent	Number
	Percent	Percent	Percent	Percent	Number
Rural and up to	:	:	:	:	:
10,000.....	18.7	70.7	10.6	100.0	1,101
10,000 to 50,000.....	29.9	63.3	6.8	100.0	251
50,000 to 200,000.....	22.3	72.9	4.8	100.0	247
Total number of	:	:	:	:	:
retailers.....	336	1,117	146	:	1,599

Less than 19 percent of the grocers located in rural areas and towns under 10,000 population wanted extensive assistance, whereas almost 30 percent of the grocers located in towns of 10,000 to 50,000 population wanted it. Retailers in larger cities wanted wholesaler assistance less than those in smaller cities, which fact probably reflects greater availability of help from other sources. Although nearly 11 percent of the grocers in rural areas and towns of less than 10,000 population were indifferent about wholesaler assistance, less than 5 percent of the grocers in cities of 50,000 to 200,000 shared this view. The attitudes of retailers in small towns and rural areas reflect the feeling that their businesses are based largely on convenience of location and the nature and size of their businesses could not be greatly improved by store improvements or bigger promotions. Wholesalers therefore probably should recognize the nature of their retailers' trade territory in offering services.

The general cooperativeness of the grocer 6/

Some independent grocers are reluctant to cooperate in almost any joint undertaking; others are more willing to invest their time in a task for a common good. Willingness to work with a wholesaler is part of a grocer's general approach to working with other people; cooperativeness is part of the grocer's personality. Probably no two grocers will react identically to suggestions made by a wholesaler. Although wholesalers offering assistance need to be aware of individual differences, it is also likely that an individual grocer may be more cooperative at one time than another and on one type of assistance than on another. Accordingly, although some grocers are unlikely to be cooperative in almost any circumstance, the type of assistance offered, the way it is offered, and its timeliness may influence the cooperativeness of others.

The extent to which groceries are bought from wholesalers

Retailers who bought a major part of their groceries from one wholesaler tended, naturally, to seek the assistance they wished from him. When a retailer favored one wholesaler against all others in his purchases, he expected that wholesaler to provide assistance. On the other hand, grocers who received more assistance from one wholesaler tended to buy more from the wholesaler offering the help. Although it is thus difficult to determine which comes first, increased purchases and increased assistance go hand in hand.

A willingness to work together in this fashion is often given formal recognition in a voluntary affiliation between the retailers and their wholesalers. Such agreements strengthen the cooperative bonds and permit wholesalers to provide extensive assistance to those retailers who want it and who reciprocate by their cooperation on purchases and on merchandising programs.

Table 4 shows that when retailers buy a major portion of their groceries from a wholesaler, they look to him for the assistance they want. As shown in table 4, only about 13 percent of the retailers buying less than 40 percent of their groceries from one wholesaler desired extensive assistance, whereas nearly 36 percent of the retailers buying 80 percent or more of their groceries from one wholesaler desired a great deal of help. Of the retailers purchasing less than 40 percent of their groceries from one wholesaler, more than 14 percent were

6/ The analysis in this and some succeeding sections draws upon information obtained in the 256 personal interviews as well as the comments written on the questionnaires received by mail.

indifferent about wholesaler assistance, whereas only about 4 percent of the retailers purchasing 80 percent or more of their groceries from one wholesaler shared this view.

Table 4.--Relationship between percentage of groceries bought from the wholesaler and retailer desire for assistance from that wholesaler

Percentage of groceries bought from wholesaler		Retailer desire for assistance			All retailers	
		Extensive	Limited	Indifferent		
	Percent	Percent	Percent	Percent	Percent	Number
0 - 39	39.....	13.3	72.4	14.3	100.0	518
40 - 79	79.....	15.2	75.8	9.0	100.0	593
80 - 100	100.....	35.8	60.0	4.2	100.0	495
Total number of retailers		336	1,121	149		1,606

The retailer's business ambition

Some grocers indicated little desire to increase business and therefore were indifferent to wholesaler assistance. Such indifference could be related to advanced age, poor health, or an absence of anyone to whom the business or earnings might be left. In other cases, a grocer believed he could accomplish little even if he tried; his trade territory, competition, or some other business condition made it unlikely that his efforts would be rewarded. Such grocers saw no value in assistance designed to increase store traffic or sales. On the other hand, many a grocer wanted his business to grow and, therefore, accepted all the assistance he could get. Where this ambition is strong, the grocers may take the initiative in suggesting how the wholesalers can be of help.

Three Types of Independent Retail Grocers

In planning a program of assistance to retailers, it would be well for a wholesale grocer to recognize three groups of independent retailers. Each group has special needs and presents a particular problem to the grocery wholesaler.

A grocer in the first group is little interested in the usual kinds of assistance offered by wholesalers. Such a grocer has a business volume of less than \$1,000 per week and is not interested in expanding. Frequently, persons within this group are elderly, have been in business

for a relatively long time, and buy from as many grocery suppliers as do retailers with a much larger volume. Their stores are usually located in rural areas, small towns, or poorer sections of a city. The business may be carried on in converted living quarters or parts of a building with limited space. Store sales are usually based on ready credit, delivery, proximity to the customer's home, and neighborly association. Considerations of price, merchandising, and store appearance are not considered of primary importance by their customers.

A grocer in the second group is most interested in wholesaler assistance. Such a store is usually operated by a person who is under 45 years of age and is more concerned than the first group with making a success of the business. Most of the grocers in this group have gross business volumes between \$1,000 and \$6,000 per week; they want to increase their volumes and feel they can do so with proper advertising, merchandising, and store organization. Many of these grocers, however, lack the resources of money and personnel to undertake such actions alone. Therefore, such a grocer seeks assistance from outside sources, particularly the wholesaler from whom he purchases most of his groceries. It is this second group of retailers who are most likely to seek affiliation in wholesaler-sponsored groups for the assistance that accompanies such membership. The affiliation of these retailers in wholesaler-sponsored groups is a recognition of mutual dependence and an attempt on the part of both to meet their common problems.

The third group of grocers is interested in assistance but is less dependent on wholesalers. Such a store usually has a gross business volume of more than \$6,000 per week and is located in urban or suburban areas. Grocers in this group are similar to the supermarket organizations in the kinds of stores they operate and in their methods of merchandising. They are usually promotion-minded and their customer-relations programs are often original and creative. These grocers tend to be cooperative with their suppliers but often have the resources to undertake alone the store improvements and promotions they believe necessary. Moreover, many of them buy a large part of their goods direct from manufacturers and processors and look to them for cooperative advertising and merchandising programs, as well as to wholesalers. The business ambition and competence of these grocers appear to be high; they utilize assistance from many sources to meet their needs.

RETAILER VIEWS ON WHOLESALER POLICIES AFFECTING PURCHASING

Data obtained in the survey showed how many grocery wholesalers the retailers bought from and the factors influencing their purchasing policies. Retailer views were obtained on the desirability of having their wholesalers of dry groceries add certain perishable food lines. Preferences on methods of wholesale pricing and placing orders also were obtained.

Factors Influencing Number of Grocery Wholesalers Patronized

Most independent retail grocers follow one of two purchasing policies: (1) Buy most of their groceries from one or two wholesalers, making fill-in and special item purchases from one or two other houses; (2) divide their buying almost equally among three or four wholesalers and buy special items from one or more additional houses. The manner in which a retailer buys his grocery supplies is affected by the wholesaler's method of operation as well as his own. The amount of assistance the wholesaler offers and the kind of wholesaler-retailer affiliation affect the way a retailer will patronize his suppliers. Table 5 shows the relationship between the amount of assistance wholesalers offered and the number of grocery suppliers their retailers patronized.

Table 5.--Relationship between assistance available from the wholesaler and number of wholesalers patronized by retailers

Number of wholesalers patronized	Extent of assistance available:				All retailers	
	Extensive		Moderate		Limited	
	Percent	Percent	Percent	Percent	Number	
1.....	22.7	8.9	6.2	13.1	220	
2.....	36.5	31.7	21.3	30.6	514	
3.....	19.4	25.0	28.4	23.9	402	
4.....	10.4	20.3	19.3	16.5	277	
5.....	4.8	7.5	12.7	8.0	134	
6 or more.....	6.2	6.6	12.1	7.9	133	
Total.....	100.0	100.0	100.0	100.0		
Number of retailers.....	598	627	455		1,680	

Customers of wholesalers offering limited services bought from more wholesale grocery suppliers than did customers of wholesalers offering extensive services (see table 5). Only about 6 percent of the customers

of wholesalers offering limited services purchased from the one supplier, whereas almost 23 percent of the customers of wholesalers offering extensive services reported buying all their grocery supplies from the one wholesaler.

Retailers also purchased the bulk of their groceries from the wholesaler who offered them the most assistance. Table 6 shows that only 11 percent of the grocers bought 80 to 100 percent of their supplies from the wholesaler who offered limited assistance. On the other hand, more than 44 percent of the customers of wholesalers offering extensive assistance bought 80 to 100 percent of their supplies from one wholesaler. Moreover, among wholesalers offering extensive assistance, the moderately large stores are likely to be the most loyal in their purchasing; among wholesalers offering limited assistance, only the small stores are likely to give the one wholesaler so much of their business.

Table 6.—Relationship between assistance available from the wholesaler and the percentage of groceries bought by retailers from him

Percentage of groceries bought from wholesaler		Assistance available to retailers:			
		Extensive	Moderate	Limited	All retailers
Percent		Percent	Percent	Percent	Percent: Number
0	- 19.....	15.0	7.9	27.4	: 15.7 266
20	- 39.....	10.6	16.0	29.1	: 17.6 298
40	- 59.....	14.0	21.5	20.1	: 18.4 313
60	- 79.....	15.9	24.6	12.2	: 18.2 308
80	- 100.....	44.5	30.0	11.2	: 30.1 510
Total.....		100.0	100.0	100.0	: 100.0
Number of retailers....		605	633	457	: 1,695

Retailers belonging to voluntary groups sponsored by wholesalers bought from fewer suppliers than did retailers who did not belong to voluntary groups. Table 7 shows that almost 70 percent of the retailers belonging to voluntary groups bought grocery supplies from one or two wholesalers whereas less than 35 percent of the nonaffiliated retailers bought supplies from as few as one or two wholesalers.

Table 7.--Relationship between retailer association with the wholesalers and the number of grocery wholesalers patronized

Number of grocery wholesalers patronized:	Retailer association		All retailers	
	Affiliated	Not affiliated	Percent	Number
	Percent	Percent	Percent	Number
1.....	27.1	8.2	13.1	220
2.....	42.5	26.4	30.6	514
3.....	18.7	25.8	23.9	402
4.....	7.6	19.6	16.5	277
5.....	2.5	9.9	8.0	134
6 or more.....	1.6	10.1	7.9	133
Total.....	100.0	100.0	100.0	
Number of retailers....	454	1,226		1,680

Grocers belonging to voluntary groups also bought a larger part of their groceries from sponsoring wholesalers than did nonaffiliated grocers (table 8). Approximately two out of three grocers belonging to voluntary groups bought more than 80 percent of their groceries from the wholesaler sponsoring the voluntary group; only one out of six non-affiliated grocers consolidated their purchases to this extent.

Table 8.--Relationship between retailer association with the wholesalers and the percentage of groceries bought from such wholesalers

Percentage of groceries bought from wholesaler	Retailer association		All retailers	
	Affiliated	Not affiliated	Percent	Number
	Percent	Percent	Percent	Number
0 - 19.....	3.6	19.9	15.7	266
20 - 39.....	3.0	22.7	17.6	298
40 - 59.....	6.2	22.7	18.4	313
60 - 79.....	20.6	17.3	18.2	308
80 - 100.....	66.6	17.4	30.1	510
Total.....	100.0	100.0	100.0	
Number of retailers.....	469	1,226		1,695

The foregoing does not mean customer purchasing preference may be obtained only through a voluntary group arrangement. The important factor appears to be the amount of assistance given retailers; that is, retailers who are given more assistance display more loyalty in their purchases irrespective of voluntary group affiliation.

Comparison was made between customers of four wholesalers operating in similar trade territories who do not sponsor voluntary groups of retailers. Two of the wholesalers offered moderate assistance, the other two wholesalers offered virtually no assistance to their retailers. Among retail customers of the wholesalers offering moderate assistance, 66 percent bought supplies from one or two grocery wholesalers and 48 percent bought more than 60 percent of their grocery supplies from these wholesalers. On the other hand, of the retail customers of wholesalers offering less assistance, 32 percent bought from one or two wholesalers and only 14 percent placed more than 60 percent of their purchases with the named suppliers.

The volume of business a retailer did had little apparent effect upon the number of wholesalers from whom he bought. Grocers with a volume of business in excess of \$200,000 annually bought from the same number of grocery wholesalers as grocers having a business volume of less than \$50,000 annually.

More than 66 percent of the grocers in this study bought groceries from three or more wholesalers. The reasons grocers gave for dividing purchases among several wholesalers are listed in the following tabulation:

<u>Reason given for dividing purchases</u>	<u>Percentage of retailers ^{1/}</u>
Obtain items principal wholesaler lacks.....	40.7
Price differences.....	37.9
Brand, grade, or quality differences.....	32.7
Insurance against shortages.....	10.7
Obtain more than one delivery per week.....	10.1
Friendship or tradition.....	7.7
Obtain better services.....	6.2
Can do better generally.....	2.5
Can buy in less than case lots.....	1.8

^{1/} A total of 894 grocers gave an average of 1.5 reasons each, hence the column will total more than 100 percent.

The reason given most frequently by retailers for purchasing from three or more grocery suppliers was to obtain items their principal wholesaler lacked. Other grocers said they needed to buy from several wholesalers in order to get particular brands, grades, or qualities of items their customers wanted. The importance retailers attach to having a complete stock is demonstrated by the fact that these two reasons were given 656 times and constituted almost half of the reasons given. Many grocers felt they must provide their customers with a given brand even if it meant that shelf space must be allocated to a brand infrequently sold and one wholesaler must be asked to supply the brand on a small-order basis. Although many grocers recognized the inefficiencies resulting from this manner of purchasing and stocking, they felt their first consideration should be to carry items their customers wanted.

Nearly 38 percent of the grocers said their reason for buying from several grocery suppliers related to obtaining a price advantage. Many grocers believed they buy for less by "shopping around" for bargains and thereby either gave their customers better prices or made a larger profit. Others said it was necessary to buy from several houses to keep prices at each house in line.

Another reason often given for purchasing from several suppliers was to be in a position to get supplies from several sources should a shortage develop, such as that occurring during World War II. Other retailers reported their storage space was limited and therefore they needed to have more than one grocery delivery each week. Where each wholesaler delivered only once a week, it was necessary to deal with several wholesalers. Still other grocers stated they have continued purchasing from several wholesalers because of friendship established with the salesman over the years. Several grocers stated they purchased groceries from many wholesalers to get better services generally, and to purchase groceries in less than case lots.

Grocery Wholesalers Handling Perishable Food Lines

Many wholesale grocers have considered the advisability of adding certain perishable lines such as produce, fresh meats, dairy products, and frozen foods. The problems of special care and handling involved are weighed against such advantages as larger total sales to present customers, the possibility that overhead cost in making grocery sales would be reduced, and the opportunity of adding customers for dry groceries from those retailers buying the perishable lines. At the same time, retailers would not have to seek elsewhere for these food lines. Retail grocers differ on whether their wholesalers should carry these additional lines.

Included in the survey were grocery wholesalers who carried one or more perishable food lines and others who did not. Retailers who bought from wholesale grocers carrying perishable food lines, generally liked to follow such a practice. Many of them reported that it simplified their purchasing and reduced the time spent in dealing with salesmen. Most of these retailers are members of voluntary groups associated with the wholesalers and favor a closer working relationship with their respective suppliers. Grocers buying from wholesalers who do not carry perishable foods were less ready to accept their grocery supplier as the source for produce, fresh meats, dairy products, and frozen foods. However, the chief objection raised by retailers was that perishable foods would require frequent delivery whereas dry groceries were delivered only once a week. Among customers of wholesalers carrying produce, those located far from the warehouse and receiving only one delivery a week indicated they needed additional produce suppliers. However, retailers located near their wholesalers and currently receiving two or three deliveries a week stated that the handling of produce by their grocery wholesalers was helpful.

The 630 customers of wholesalers in this study who did not handle produce gave their preferences as follows: 24 percent felt it would be helpful if their wholesaler handled produce and indicated they would probably buy produce from him; 35 percent reported it would not be helpful since they were satisfied with their present source and service; and 41 percent were indifferent to whether their wholesaler carried produce. The indifferent retailers either did not carry produce or were satisfied with their present supplier, but some indicated they would consider trying their grocery wholesaler as a produce supplier.

Retail grocers responded more favorably to the suggestion that their grocery wholesaler handle a frozen food line than that he handle produce. Most customers of grocery wholesalers currently handling frozen foods considered this helpful because it simplified their buying. Customers of wholesalers not handling frozen foods were divided in their views: 29 percent said the handling of frozen foods would be helpful to them; 36 percent felt it would not be helpful and 35 percent were indifferent. Most of the grocers who said the handling of frozen foods would not be helpful did not carry frozen foods in their stores. Many grocers suggested that their wholesalers handle frozen foods because of the added convenience of placing the frozen food order along with the grocery order and getting them delivered at the same time. In many areas of the country frozen foods were frequently handled along with dry groceries on the same delivery truck without refrigeration equipment. This is especially true on short delivery routes.

Figure 2 shows that, although many grocers believed the wholesaler could probably supply them advantageously with produce and frozen foods, few favored having their wholesaler carry fresh meats or dairy products. Some retailers suggested that their grocery wholesalers make arrangements with bakery, frozen food, fresh meat, and produce handlers to supply

them with these products. They felt that such an arrangement would give them a common brand for group advertising purposes. This suggestion was also acceptable to retailers who thought reduced selling costs would result from having only one salesman or one order book for all the commodities rather than a separate one for each line. Most of the grocers who suggested that their wholesaler act as a clearing house for purchases of other lines were members of voluntary groups affiliated with the wholesaler.

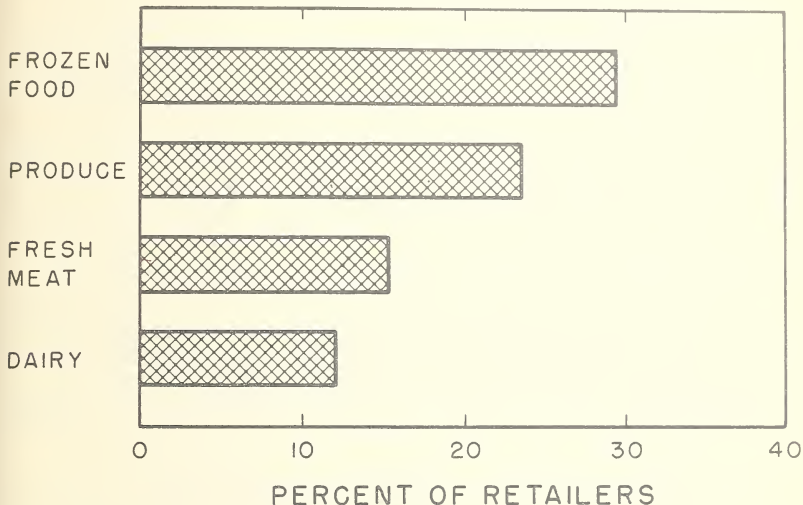


Figure 2.--Percentage of retailers who said it would be helpful if their wholesale grocer handled specified perishable food lines.

Several wholesalers included in this study have made such special arrangements with bakery, frozen food, meat, and produce handlers to supply voluntary group stores sponsored by them. Retail customers of these wholesalers indicated this helped in planning their advertising, and some thought they were able to buy at lower cost through such a buying plan.

Different Systems of Wholesale Pricing

Few retailers in the survey had strong preferences on methods of wholesale pricing. Most grocers accepted as satisfactory the pricing systems employed by their wholesalers. Table 9 shows the percentage and number of grocers reporting the various methods of pricing used by their wholesalers.

Table 9.--Number of retailers reporting specified systems of pricing used by their wholesalers

Pricing method used	Retailers	
	Percent	Number
Delivered prices.....	66.2	997
Cost-plus.....	12.2	192
Cash-and-carry.....	6.8	102
F.o.b. warehouse with specified delivery charges:	4.3	65
Other systems or combinations of systems.....	9.9	150
Total.....	100.0	1,506

The most frequently reported method of wholesale pricing was delivered prices, reported by about 66 percent of the retailers. The cost-plus system of pricing was the next most frequently used. Retailer preference on pricing methods followed the same order as reported usage (table 10).

Table 10.--Retailer preference on method of wholesale pricing

Pricing method preferred	Retailers	
	Percent	Number
Delivered prices.....	61.8	483
Cost-plus.....	19.3	151
Cash-and-carry.....	6.4	50
F.o.b. warehouse with specified delivery charges:	1.8	14
Other systems or combinations of systems.....	10.7	83
Total.....	100.0	781

A total of 433 grocers who reported the pricing systems used by their wholesalers said it would make no difference to them what kind of pricing system their wholesalers used. An additional 292 grocers

reporting the system a wholesaler used failed to give a preference; most of these also might have felt it made little difference to them.

The cost-plus system of pricing had some support among grocers who did business under other systems of pricing. Although less than 13 percent of the grocers reporting the system of pricing used by their wholesalers operated on a cost-plus basis, more than 19 percent of the grocers who stated a preference said they desired the cost-plus system. Most of the grocers favoring this system of pricing had a business volume above the average. They believed that under a cost-plus system, the wholesalers would need to charge them less than retailers who bought in smaller quantities. In general, a grocer in this group felt the saving his wholesaler obtained through servicing the larger stores should be reflected in lower prices to their stores rather than in equal prices for all stores. The grocers favoring a cost-plus system of pricing felt very strongly on the subject and such a grocer was likely to say that if his wholesaler did not offer cost-plus prices he would need to consider other buying arrangements. On the other hand, many small grocers felt they should not be discriminated against, and if the larger stores received lower prices, the smaller stores would be placed at a serious competitive disadvantage, even among independent grocers.

The system of using f.o.b. warehouse charges plus specified delivery charges as a basis for wholesale pricing was not preferred by many of the retailers who were now operating under this method. These grocers apparently believed that delivery costs should not be the sole criterion for establishing a system of pricing. The chief criticism raised by retailers against both pricing f.o.b. warehouse plus specified delivery charges, and the cost-plus system of pricing was the difficulty in computing the exact cost of merchandise and, hence, the retail selling price.

Most retailers purchasing groceries from their wholesalers on a delivered price, and cash-and-carry basis preferred these systems because it was easy to determine the exact cost of merchandise. Retailers purchasing groceries on a cash-and-carry basis favored this over the delivered price system because of the saving. These retailers owned trucks for their customer deliveries and felt the additional time and cost for picking up merchandise at the wholesalers' warehouses were negligible.

Different Systems of Placing Orders

Few grocers in the survey had decided preferences on methods of placing orders with their wholesalers. Most retailers preferred whatever system they currently used with their wholesalers. However, many of the larger grocers preferred order forms, since they were helpful in checking their stock and making out the orders. The larger grocers felt it was more efficient to mail or telephone orders to wholesalers than to place orders through salesmen. Many of these retailers felt

that once they have made up their own orders the salesmen's visits were not necessary. The smaller grocers preferred to place orders with salesmen. When salesmen are employed, the small grocers usually not only placed their orders with the salesmen but also sought their advice on problems relating to retail pricing, merchandising, and promotions. Remarks such as "I haven't seen the salesman for 6 months" and "need more personal contact with wholesale firm" occurred frequently among small retail grocers, particularly where a wholesaler had initiated mail order forms or customer selection programs.

RETAILER VIEWS ON WHOLESALER ASSISTANCE ON ADVERTISING AND PROMOTIONS

The extent to which a retailer uses advertising and promotional programs afforded from wholesalers was influenced by the kind of grocery store he operated. Such factors as business volume, voluntary group affiliation, business location, and kind of assistance available affected retailer use of these programs. Although all wholesalers included in this study offered their retailers some assistance in this area, the kind of assistance offered varied substantially.

Cooperative Advertising

Many wholesale grocers have developed cooperative arrangements with their retailers to advertise by newspaper, radio, and television. These arrangements often met the needs and desires of independent grocers for advertising media they could not afford to use alone. Although arrangements vary, the cost of advertising was generally apportioned among cooperating retailers and the wholesaler.

Where a wholesaler's advertising was designed for an affiliated group of stores, the group name was usually used in the advertisements. A sponsoring wholesaler sometimes made arrangements with suppliers of frozen foods, meats, and produce to sell to the stores, to participate in the cooperative advertising. Such arrangements made it possible to feature the major food lines for the group of stores.

Wholesalers not sponsoring voluntary groups frequently listed the individual retailers cooperating in the advertising. This type of cooperative advertising appealed to many retailers who did not belong to voluntary groups. In addition to these types of cooperative advertising, many wholesalers also advertised their private brands on carcads, billboards, and other general media to build consumer demand for the line and thereby stimulate business for their retailers.

Retailer reception of wholesaler advertising assistance

Many of the retailers in this study said one of the chief advantages of belonging to voluntary groups was the availability of wholesaler-sponsored cooperative advertising. Almost 90 percent of the 469 grocers belonging to voluntary groups reported cooperative advertising was available to them. In contrast, only 36 percent of the 1,226 nonaffiliated grocers had such assistance available.

Only 3 percent of all grocers in this survey suggested assistance in cooperative advertising was not needed or not helpful. Most retailers felt they must advertise to attract customers and remain competitive. Grocers felt that cooperation with the wholesalers is probably the best way in which they can be part of a comprehensive advertising program.

Retailer suggestions for improved cooperative advertising

Relatively few grocers (14 percent) in the survey had concrete suggestions on how cooperative advertising could be improved. Retailers have limited experience in methods of advertising and advertising media, and therefore depend on the wholesalers for leadership. However, interviews with retailers show that some have given considerable thought to advertising for independent grocers, and they presented well-thought-out ideas.

Suggestions were made most often by retail grocers for whom cooperative advertising was not available. Approximately 10 percent of the 243 grocers offering suggestions indicated a desire to have their wholesalers sponsor cooperative advertising which would include them.

The next most frequent suggestion made by grocers pointed out the need to include in local advertising more nationally advertised brands, and more popular "fast-moving" items. Several of the retailers who suggested the use of more nationally advertised brands in cooperative advertising believed that by promoting these products they could attract the younger housewives and new residents in the trading area; they felt the effectiveness of cooperative advertising would be increased by including national brands because the homemaker would be shown that the brands she was most familiar with were available at her neighborhood independent grocery store. Interviews suggested that a desire to have more nationally known items appear in the advertising was felt most strongly by retailers located where the population was transient or growing rapidly.

Additional suggestions made by several retailers were: Cooperative advertising should feature fewer and more carefully selected items, some grocers said. They felt that advertising was of limited value when too many items were included. One grocer said that the housewife knew they were handling many items but she would question the ability of an independent grocer or any other firm to promote 50 or more items at reduced prices. These retailers said they believed effective advertising could be done by promoting as few as 5 to 8 grocery items.

Coupled with a desire to have better known brands and fewer items in cooperative advertising a few retailers expressed a desire to advertise these items as specials at lower prices. These grocers, who were especially concerned with meeting large store competition and with increasing store traffic, suggested the inclusion of a "loss leader" in the cooperative advertising.

A number of retailers suggested that wholesalers do advertising of an "institutional" type. These retailers said they believed much could be done to improve the position of the independent grocer by the type of advertising that stressed the advantage of buying groceries from the independent grocer who owns and operates a local business. These grocers

would like to tell consumers about the competitiveness of their prices, the completeness of the stocks they carry, and the services they offer. They also felt they could advertise the neighborliness and friendly courtesy offered customers in their stores. One grocer remarked that such a campaign, drawing on the experience of individual retailers, could probably tell a story for each day of the year on how one independent grocer served his neighbor-customer in need.

Some grocers also suggested that wholesalers should consult more with retailers on cooperative advertising programs. ^{7/} One said a committee of retailers would be helpful to a wholesaler in planning and developing the advertising program. Several were of the opinion that through such an advertising committee, a more cooperative spirit would be obtained among the retailers, since they would feel that their ideas were being put into practice. One grocer said retailers are better qualified than wholesalers to anticipate the response to advertised items. Several other retailers, located in cities and towns which were covered by newspapers other than the ones in which the wholesalers' cooperative advertisements appeared, suggested that cooperative advertisements be placed in their local newspapers. A number of retailers suggested that a means be developed by their wholesalers for specifying individual stores in cooperative advertising. The retailers making this suggestion belonged to voluntary groups, advertising only under the group name.

Cooperation on Promotions

The term "promotions" as used in this report means special sales events such as weekly specials, seasonal and holiday promotions, sales of the private brands of a wholesaler, sales of nationally advertised products, and events promoted nationally.

Some wholesalers limited their cooperation on promotions to offering price "specials" each week. Salesmen and retailers were notified that a special price on certain items would be offered as a basis for promotions by the retailers. A weekly special of this type usually carried the wholesaler's private brand and, on occasion, included seasonal or holiday items. When promotional cooperation was limited to announcements by a wholesaler of several specially priced items, few retailers were enthusiastic about the program and some said the promotions increased their inventory of promotion items without substantially increasing sales.

^{7/} Where wholesalers made use of retailer advisory committees on advertising programs, the grocers reported satisfaction with the arrangements.

Other wholesalers planned a schedule of promotions months in advance. These plans took into account nationally promoted events and seasonal purchasing by consumers and the promotions were supported by cooperative advertising. Retailers were more willing to participate in this kind of promotion, because there was evidence the wholesalers had given them assistance that would mean increased sales. Retailer interest in promotional activities was apparently related to the interest and imagination shown by the wholesaler.

Retailer reception of different kinds of promotions and promotional material

Nearly all grocers felt that promotions helped attract customers and sold more merchandise. Nearly 82 percent of the grocers in this study reported cooperation from their wholesalers on special selling events, and 68 percent said they received promotional material. Differences in the desire for wholesaler cooperation on promotions was related to the proportion of groceries bought from the individual wholesaler, affiliation with a wholesaler voluntary group, and retailer business volume.

Retailers who bought only a small percentage of their groceries from a single wholesaler were usually not interested in the promotional assistance he offered. Where the wholesaler primarily served on "fill-in" orders, retailers did not look to him for anything further, and were reluctant to increase their purchases in order to participate in his promotional programs.

Almost every retailer belonging to voluntary groups, and buying most of his groceries from one firm, used the promotional services offered by the sponsoring wholesaler. In this study, approximately 97 percent of the 469 grocers belonging to voluntary groups reported receiving promotional material and cooperating with their wholesalers on promotions; less than 59 percent of the 1,226 grocers not belonging to voluntary groups reported receiving promotional material.

Moreover, the extent of participation in cooperative promotions is considerably greater among affiliated than among nonaffiliated grocers. Affiliated stores usually make wholesaler-sponsored promotions major selling events. Nonaffiliated grocers often order the specially priced items but do not actively promote them.

Although a high proportion, about 82 percent, of all grocers reported receiving assistance from their wholesalers on promotions, the proportion increased with business volume up to \$200,000 annually and then declined as business volume continued to increase (table 11). Apparently, grocers with a business volume in excess of \$200,000 annually become less dependent on their grocery wholesalers for assistance on promotions.

Table 11.--Relationship between retailer business volume and receipt of cooperation on promotions

Retailer annual business volume	Retailers receiving cooperation on promotions	
	Percent	Number
Under \$50,000	75.3	417
\$50,000 to \$100,000	83.2	412
\$100,000 to \$200,000	89.3	285
Over \$200,000	86.0	104
Total	81.8	1,218

Of the 271 grocers who reported they had not received assistance on promotions, 45 said that promotions and promotional material were not needed or would not be helpful in their business. Some of these grocers felt that their customers did not expect them to compete with the big food stores on prices and promotions because such a business as theirs was built on convenience. Others said that if they offered items at special prices one week their customers would expect to pay the same price the next time they made a similar purchase. The remaining 226 grocers in the study who were not receiving cooperation on promotions did not comment on the value of promotions.

Retailers had some definite views on the kind of promotions that were most helpful. Nearly 46 percent of retailers expressing an opinion reported that weekly specials were the most productive type of promotion. An additional 8 percent reported weekly specials plus other types of promotions as being the most helpful. Although promotions on private label merchandise were favored over national brands, only 14 percent of the grocers reported promotions on wholesalers' private branded products as being the most helpful to them (table 12).

Table 12.--Retailer views on type of promotions most helpful to them

Most helpful promotion	Retailers	
	Percent	Number
Weekly specials	45.9	391
Wholesaler's private brand.	13.8	118
Weekly specials and other promotions.	8.3	71
Nationally advertised brands	6.0	51
Seasonal and holiday items	6.0	51
Nationally promoted events.	1.2	10
All promotions helpful.	14.2	121
Other preferences	4.6	39
Total	100.0	852

Retailer suggestions on ways to improve assistance
on promotions and promotional material

Almost 60 percent of the retailers in this study offered suggestions on how a wholesaler's cooperation on promotions could be improved. The high proportion of grocers expressing positive views on improved promotions indicates its importance to them. Many of the suggestions attest to the desire for lower prices on specials. The following tabulation shows the percentage of retailers recommending specific ways to improve promotional assistance.

<u>Retailer recommendations for improved promotional assistance</u>	<u>Percentage of retailers 1/ Percent</u>
Give special prices on promotional items	62.4
Furnish more promotional material for store use.	44.3
Use more newspaper, radio, and other advertising	34.3
Show retailers how to use promotional material more effectively	31.0
Supply retailers with promotion plans giving more advance notice	26.0
Furnish better promotional material for store use.	21.5
Other suggestions.	5.5

1/ A total of 1,004 retailers made an average of 2.25 suggestions each, hence the column totals more than 100 percent.

More than 62 percent of the retailers suggested special pricing on promotional items. Many of these grocers said they did not believe promotions would increase sales or store traffic unless prices were low. Some retailers suggested an arrangement between wholesalers and retailers by which selected promotional items would be sold at cost by the wholesaler and the retailer, thereby offering merchandise to consumers at attractively low prices. The large proportion of retailers requesting special price items explains in part why so many favored weekly specials for cooperative promotions.

High on the list of retailer suggestions were increased merchandising efforts on promotions, even if fewer sales events were staged. Many retailers (44 percent) suggested that more promotional material be developed for store use. An additional 34 percent suggested more newspaper and radio advertising to support store promotions.

Almost one out of three retailers suggested that wholesalers assist in training retailers in effective use of promotional materials. Retailers thought they should avoid a "cluttered" appearance in their stores and felt that improper use of promotional materials often contributed to that appearance.

More than 25 percent of the retailers suggested that they need notification of promotions well in advance of the starting date. These retailers suggested that each wholesaler establish a calendar on which plans for promotions would be listed several months in advance. Through following this procedure, the grocers believed a wholesaler could avoid repetitious promotions and could tie in their plans with events being promoted on a nationwide basis.

Almost 22 percent of the grocers suggested need for better quality promotional material. This suggestion was often made by grocers who compared the promotional materials of nationally advertised products with the material offered by their wholesaler and found the latter lacking in size, color, or general attractiveness. Some of these grocers said that a wholesaler should not try to get as much material as possible, but rather to obtain material that would sell merchandise effectively. Such a policy, they said, would result in more effective use of each promotional dollar spent.

Planning Advertising and Promotional Programs

Retailer suggestions for improved promotional and advertising assistance from their wholesalers stressed the need for better planning. The comment made by one retailer expresses the sentiments of many: "Let the individual store have more voice in advertising and promotional programs." They said that if grocers have a part in the program being established they would be more willing to cooperate in making it successful, and a larger proportion of them would participate. This is likely to mean more efficient utilization of the cooperative advertising and promotional budget with gains to both wholesaler and retailer. Most often suggested as a means of obtaining retailer participation was the establishment of a committee of representative grocers to meet and work with the wholesaler in planning advertising and promotions.

RETAILER VIEWS ON WHOLESALE ASSISTANCE IN STORE OPERATIONS

Wholesaler assistance on store operations includes help on pricing, store engineering, record keeping, and personnel training. Problems in store operations varied considerably between retailers, and the kind of assistance wholesalers offered varied accordingly.

Pricing

Wholesalers in the survey furnished their retail grocers information designed to help them in purchasing and pricing merchandise. Information furnished included reports on supply and price trends for individual commodities or grocery lines, suggested mark-ups or selling prices, and reports on competitive selling prices in the trade territory. Such information was usually given to grocers through bulletins or news letters, order books, invoices with suggested prices, and through salesmen or supervisors on their periodic visits.

Grocers were particularly interested in receiving information on competitive retail prices. They said such information could be obtained more efficiently and economically by wholesalers than by the individual retailers themselves. Retailers reported that a knowledge of competitive pricing helped them set their own prices and meet occasional customers' comments about prices being "less elsewhere."

Many grocery wholesalers provided their retailers with suggested selling prices, especially on private label merchandise. Retailers reported this was very helpful because it furnished them with a guide in pricing.

Wholesalers also offered their retail customers market information covering supply and price movements of various lines. Retail grocers were interested in information on supply and price trends in food products because it helped them plan their buying. Within the limits of available capital and storage space, retailers could buy in anticipation of rising or falling food prices and thus give their customers the advantage of lower prices resulting from better buying practices. Retailers were critical of some unofficial and sometimes misleading market information given by some salesmen, but on the whole they felt the market information given by their wholesalers was useful.

Five of the eight wholesalers whose customers were involved in this study provided their retailers weekly with competitive selling prices, suggested selling prices, and computed gross margins on the suggested selling prices. The suggested selling prices were sometimes computed for stores by size groups. Grocers receiving such information were almost invariably pleased and said they used the data regularly.

Retailer reception of assistance on pricing

Almost all grocers are interested in information that helps them establish sound retail selling prices. Of the grocers in this survey, 85 percent reported they had received assistance on pricing from their wholesalers. Among grocers belonging to voluntary groups, almost 99 percent had received pricing assistance from sponsoring wholesalers; only slightly more than 80 percent of the nonaffiliated grocers had received such assistance. Acceptance of wholesaler assistance on pricing varies little with business volume or store location. However, grocers operating small stores in rural areas and in small towns generally preferred to receive information through salesmen or supervisors rather than through printed material. This probably reflected a desire to talk with people and a preference to learn by talking rather than reading.

Among the 15 percent not receiving assistance on pricing, 6 percent of the grocers requested wholesaler aid. Approximately 3 percent of the grocers wrote comments saying assistance on pricing was not needed or not helpful. This view was held principally by grocers in rural areas and in small towns with a business volume of less than \$1,000 per week. Interviews suggested that most of these grocers have little or no competition and follow rule-of-thumb methods in establishing prices. The remaining 6 percent of this group of grocers did not receive assistance on pricing and did not say whether or not such assistance would be helpful.

The data show that independent retail grocers recognize the importance of keeping informed for intelligent purchasing and pricing of their merchandise and look to their wholesalers as a source of information.

Retailer suggestions on ways to make pricing information more helpful

More than 18 percent of the grocers surveyed suggested ways in which market and price information given by wholesalers could be improved or extended. Most of the suggestions were made by retailers who received little assistance in pricing from their wholesalers. Approximately one out of three grocers who did not have pricing assistance available said they would like to receive such assistance.

Of the 310 grocers offering suggestions on pricing information, more than 27 percent indicated they would like their wholesalers to provide information at regular intervals on competitive selling prices in their trade territory. The next most frequent request, made by 19 percent of the grocers offering suggestions, was that wholesalers put suggested selling prices, the percentage mark-up over cost, and competitive selling prices in the trade territory on invoices sent the retailers. These suggestions were made by grocers whose wholesalers used other methods to provide retailers with suggested selling prices.

Almost 18 percent of the grocers offering suggestions wanted increased assistance generally. These grocers purchased from wholesalers who provided limited pricing aids. Nine percent of the grocers desiring increased help suggested that more information be provided on a regular basis on price trends and availability of food products. This information was particularly requested by some of the larger store owners to help them plan their buying.

Additional suggestions included the need for wholesalers to consider local competition in establishing suggested retail prices. Some retailers mentioned the need to consider the size of business in suggesting retail prices. Such a grocer, as a rule, was interested in information that he could apply to his particular business. These suggestions indicate some of the problems wholesalers must consider when providing pricing assistance to their retailers.

Store Engineering

The extent of store engineering service furnished varies among wholesalers. Some wholesalers offer their retailers assistance on every step in a store remodeling or new store building project from discussion of the basic problem to arrangement of stock on the shelves after construction is completed. Other grocery wholesalers offer little beyond a willingness to discuss and advise on store engineering problems. Grocery wholesalers in this study may be classified into three groups according to the extent of the store engineering service they offer and according to who takes the initiative on services rendered. In this study each of these groups is represented by two or more wholesalers.

The first group of wholesalers did not take the initiative in offering assistance in store engineering; grocers with store engineering problems sometimes went to them and the wholesaler would help. A wholesaler in this group usually kept a file on latest store designs and equipment to which any retailer could refer, but did not employ store engineering specialists to assist the grocers. Services offered by such a wholesaler may be termed "limited" in the scope of service, and the number of customers likely to be helped.

The second group is made up of wholesalers who told their customers that they would be glad to help in planning new store layouts and in remodeling and constructing stores. The grocery department supervisor usually had responsibility for this work in addition to his other duties in the wholesale operations. However, he may have had some specialized training and probably has kept current on developments in the field of store engineering. Assistance was available to all the wholesaler's customers; the initiative was sometimes taken by the grocer and sometimes by the wholesaler. Assistance offered by this second group may be termed "moderate" in the kind of services and in the number of customers likely to be helped.

The third group consists of wholesalers who offered extensive assistance in store engineering. A wholesaler in this group maintained a store engineer on his staff and offered complete planning for remodeling or constructing a store, supervision of construction, store equipment at less than list price, and the planning or supervision of the grand opening of a new or remodeled store. Store engineers in this group made regular visits to the retailers and recommended changes in store layout and equipment. In the kind of services available and the number of customers helped, the store engineering assistance offered by this group could be termed "extensive."

Retailer reception of store engineering assistance

Of the retailers surveyed, 42 percent said they had received store engineering assistance from their wholesalers. Differences in use of store engineering services by retailers can be explained by the following factors: (1) The kind of services offered by the wholesaler, (2) store business volume, (3) store business trend, (4) affiliation with the wholesaler, and (5) nature of the trade territory.

Use of store engineering assistance is directly related to availability from the wholesaler. Table 13 shows the relationship between the store engineering service offered by the wholesaler and the percentage of retailers utilizing store engineering service. Only 8 percent of the retail customers of wholesalers offering limited store engineering service had received assistance, compared with 53 percent of the customers of wholesalers offering extensive service. Apparently, if a larger number of retailers are to modernize in order to improve the appearance and efficiency of their stores, some of the initiative will need to come from the wholesalers. If increased retail business results from better engineered stores, it is likely that efforts of the wholesaler will increase his own volume of business as well as the retailer's.

Table 13.--Relationship between store engineering assistance available from the wholesaler and retailer use of such help

Assistance available to retailers	Using assistance	Not using assistance:			
		Not wanting		Not commenting	
		Percent	Percent	Percent	Percent
					Number
Extensive	52.6	3.4	44.0	100.0	919
Moderate.	33.0	9.9	57.1	100.0	366
Limited	7.8	6.7	85.5	100.0	204
Total number of retailers	625	82	782		1,489

Use of store engineering assistance is related to the amount of business the grocer does (table 14). Of retailers with a volume of business in excess of \$200,000 annually, 64 percent have received assistance from their wholesalers in store engineering, whereas only 23 percent of the retailers with a volume of business less than \$50,000 annually have received aid. This relationship may be explained in part by the pressure for more space or better utilization of space which becomes evident with larger volume, or by the increased business which is brought about by store improvements.

Table 14.--Relationship between retailer business volume and use of wholesaler store engineering assistance

Retailer annual business volume	: Using	:Not using assistance:			All retailers
	: assistance	: Not	: Not	: commenting:	
	: wanting	: wanting	: commenting:		
	: Percent	: Percent	: Percent	:Percent:	Number
Under \$50,000	: 23.4	: 8.1	68.5	: 100.0	554
\$50,000 to \$100,000 .	: 47.3	: 4.0	48.7	: 100.0	495
\$100,000 to \$200,000	: 57.7	: 3.8	38.5	: 100.0	319
\$200,000 and over . .	: 63.6	: 4.1	32.3	: 100.0	121
Total number of retailers	: 625	82	782		1,489

Analysis of the data shows that the trend of a retailer's business volume affects his use of store engineering services. Of the retailers in this survey reporting an increasing volume of business during the years 1949-51, almost 50 percent had received store engineering services from their wholesalers, whereas only 30 percent of the retailers with a decreasing business trend had received store engineering assistance. ^{8/} Of the retailers whose business volume was substantially the same from 1949 through 1951, 38 percent had received store engineering assistance. As the retailer's business volume increases, he frequently begins to feel pressure for space or pressure to convert to self-service in order to handle store traffic. These factors lead to considerations of more effective space utilization and the wholesaler is likely to be among the first asked for advice.

Independent retail grocers affiliated with wholesaler voluntary groups were more likely to use store engineering services than those

^{8/} Business trend takes into account the increasing price level during the period.

who did not belong to such groups. In this study, more than 74 percent of the affiliated grocers reported receiving store engineering assistance whereas less than 28 percent of the grocers not belonging to voluntary groups received such aid. Retailers belonging to voluntary groups were more likely to have assistance offered and both the wholesaler and the retailer affiliated in this fashion have an interest in seeing that the assistance offered is used.

Use of store engineering assistance was also affected by the kind of trade and store traffic the grocer had. Retail grocers located in rural areas and small towns reported they did not think it necessary to utilize store engineering services. These retailers tended to be skeptical about the value of a modern store layout or "fancy" store fixtures. Some felt that too nice a store might harm their business rather than improve it; others were of the opinion customers would go to town for their big shopping trip anyhow, and that modernizing the store would not alter this. Grocers in urban areas, on the other hand, felt that a modern store layout was necessary if they were to compete successfully with the supermarket. Moreover, rentals are higher and customer traffic is more concentrated during week-end hours in urban areas so a premium is placed on efficient utilization of store space.

As shown in table 14, 864 of the retailers surveyed had not received engineering assistance from a wholesaler. However, of this number, only 82 grocers said that they did not need or want such assistance. Although the remaining 782 grocers undoubtedly included others who did not need or want such assistance, the largest proportion would probably welcome help if it were available from their wholesalers. If wholesalers offer assistance in improving the efficiency of independent grocery stores and in making them more attractive, they find little opposition from their retail customers.

Kinds of store engineering assistance retailers use

The kinds of store engineering assistance used by retailers vary with the services provided by the wholesaler, the business volume, and the kind of trade retailers sell to. The assistance most commonly reported was for changes in store layout and equipment since this help was given formally and informally by all wholesalers. In wholesale houses offering limited store engineering service, the advice was usually given by salesmen; whereas among wholesalers offering extensive service it was usually given by the store engineer.

Assistance on plans for remodeling or constructing stores was also received by many retailers in this study. This service was more frequently used by customers of wholesalers offering extensive assistance than by customers of wholesalers offering limited or moderate store engineering assistance. Stores of medium size, between \$1,000 and \$6,000

weekly volume, more frequently used this service than stores having larger or smaller business volumes. Assistance in planning and supervising the opening of a new or remodeled store was utilized most frequently by stores of medium size also. Probably the smaller stores had little occasion for such assistance whereas the larger stores could undertake the work without depending on the wholesaler's help.

Supervision of actual construction work, a service offered by some of the wholesalers, was usually requested by retailers when they adopted plans proposed by the wholesaler. Relatively few grocers reported using such assistance. Some retailers considered the wholesaler a good supplier of store equipment and fixtures; many of them felt the wholesaler should act as a regular source of such equipment. Although some grocers reported that their wholesalers supplied store equipment at less than list price, few received assistance from their wholesalers in financing the cost.

Retailer suggestions on ways to improve store engineering services

Of the grocers surveyed, 162, or less than 10 percent, made concrete suggestions on ways in which store engineering assistance could be extended or improved. Grocers who had been offered only limited assistance frequently asked for increased help, whereas those offered extensive assistance made suggestions on how the assistance could be improved. Grocers having a volume of business between \$2,000 and \$4,000 per week were more prone to suggest increased aid than smaller retailers.

Of comments made by grocers having limited store engineering assistance available to them, most of them were for expansion of the service. Among the suggestions made were: Add a store engineer to the wholesaler's staff, furnish plans for changing store layout, offer to supervise construction work in remodeling present building or constructing new building, assist in obtaining adequate financing for construction or remodeling, and help to procure store equipment.

Customers of wholesalers offering extensive assistance also had suggestions for increased assistance in store engineering. Some of the grocers said their wholesaler's store engineer should make periodic inspections of stores to assist grocers in store layout and customer traffic problems. A number of these grocers said that store engineers should be more practical in their recommendations, particularly taking into account the financial limitations of the grocers.

Several retailers suggested that wholesalers set up a financing fund that would facilitate store remodeling, construction, and equipment purchasing for stores affiliated with the wholesaler. Their feeling was that the wholesaler knew better than anyone else which retailers were good business risks and that store modernization would mean as much for

the wholesaler as the retailer. Although some wholesalers have been financing promising grocers on an informal basis, an extension of this activity might increase the benefits for both the retailer and wholesaler.

Record Keeping

Although most retail grocers keep some records of their store operations, bookkeeping often is not adequate in detail or organization to meet present-day needs. The lack of adequate record keeping in retail grocery stores can be attributed to such factors as lack of sufficient time to do the work, inability to afford professional assistance, and, in some cases, to the lack of knowledge of bookkeeping practices and their importance.

Recognizing this situation, some wholesalers have developed programs to aid their retail grocers in maintaining a good record-keeping system. Some retailers said that by helping with the record keeping, wholesalers gain an insight into the problems of retailing and therefore move into a better position to assist retailers. Wholesalers can be classified in three groups according to the kind of assistance they provide for their retailers in record keeping; two or more wholesalers in each group were included in this study.

The first group consists of those wholesalers who offered no formal assistance. Retailers who have accounting problems may go to these wholesalers and usually the wholesaler is willing to assist, but the initiative in obtaining the wholesaler's help comes from the retailer.

Wholesalers in the second group recommended and sold a bookkeeping manual and record keeping system to their retail customers. The recommended system often included daily and monthly purchase and expense forms, daily and monthly sales and cash record forms, a business memorandum form to record merchandise used for operational purposes, employee hour and wage forms, inventory work sheets, forms for recording time payments and depreciation, and loan record forms. These wholesalers usually spent time with the grocer in establishing their record-keeping system, often assisting the grocer after the system was established.

The third group consists of wholesalers who offered a complete record-keeping and accounting service. These wholesalers either assumed some of the responsibility for keeping records for the grocer, or arranged to handle the retailers' accounting through a private accounting firm under an "umbrella contract" covering all work the firm does for a group of retail grocers. Under these systems the retailer maintained regular daily work sheets and turned in these records monthly along with regular inventory reports to the wholesaler.

Retailer reception of record-keeping assistance

Of the retail grocers surveyed, 26 percent reported they had received record-keeping assistance from their wholesalers. Differences in the use of record-keeping assistance are related to: (1) Retailer volume of business, (2) the kind of service offered by the wholesaler, and (3) the present record-keeping system used by the retailer. Table 15 shows the relationship between volume of business and use of record-keeping assistance.

Table 15.--Relationship between retailer business volume and use of wholesaler record-keeping assistance

Retailer annual business volume	Using assistance	Not using assistance:			All retailers
		Not	Not		
		wanting	commenting		
	Percent	Percent	Percent	Percent	Number
Under \$50,000	18.8	12.5	68.7	100.0	554
\$50,000 to \$100,000 . . .	31.3	10.5	58.2	100.0	495
\$100,000 to \$200,000 . . .	29.5	10.3	60.2	100.0	319
\$200,000 and over	30.6	13.2	56.2	100.0	121
Total number of retailers	390	170	929		1,489

More than 30 percent of the grocers in the survey having a volume of business of more than \$50,000 annually used record-keeping assistance, whereas less than 19 percent of the grocers with a volume of business less than \$50,000 used such wholesaler assistance. Grocers with a small volume of business probably use a simple system of bookkeeping. Some use the services of a member of the family who is "good with figures"; others may ask a high school student with elementary bookkeeping training to keep books in his spare time; still others may keep no books, operating on a cash basis from day to day.

Retailer views on record keeping were also influenced by the type of assistance the wholesaler offers. Less than 11 percent of the grocers reported using wholesaler assistance in record keeping in cases in which they had to take the initiative in requesting it. On the other hand, more than 36 percent of the grocers used wholesaler aid when the wholesaler offered a recommended record-keeping system and gave assistance in helping the retailer establish and operate the system. These findings suggest that when a wholesaler recommends sound practices and shows how to maintain a good system of accounting, many retailers will take advantage of the help.

Many retailers reported that they used record-keeping systems obtained from sources other than a grocery wholesaler, principally from manufacturers of cash registers. In some cases, the cash register was part of the accounting system they used and the source of their daily accounts. Other grocers have obtained record-keeping books through mail order firms.

Slightly more than 11 percent of the grocers in this survey stated record-keeping assistance was not needed or was not helpful in business. Some of these grocers said they did not see the value of a better record-keeping system; they knew whether they were making money and that was all the information they needed. Others said they did not want the wholesaler to know too much about the business and therefore did not want his assistance in keeping records.

Higher proportions of the operators of small and large groceries than of intermediate-size groceries reported they did not think record-keeping assistance from the wholesaler was necessary. Apparently small retailers felt they do not need the more thorough record-keeping system offered by wholesalers, whereas the larger retailers could afford to hire specialized accounting service to meet their individual needs.

Retailer suggestions on ways to make record-keeping assistance more helpful

Relatively few (7 percent) of the grocers in this survey suggested ways in which wholesaler record-keeping assistance could be improved. Of the grocers making suggestions for improved assistance, 93 percent had received no assistance in record keeping from a wholesaler. As shown in table 16, 36 percent of the grocers making suggestions would like to have their wholesalers supply a recommended record-keeping system and guide them in its use. These retailers were mostly customers of the wholesalers who gave record-keeping assistance only on request.

A service to keep them informed on improved methods of accounting was wanted by 16 percent of the grocers. As a rule, a retailer in this group has an established record-keeping system but believes the system could be improved by practices that would give more of an indication of strengths and weaknesses in the business. Twelve percent of the grocers suggested that the wholesaler might well supply them with periodic statements of purchases. Grocers thought these statements would assist them in keeping their own records.

A complete record-keeping and accounting service was requested by 11 percent of the grocers. This recommendation was made by customers of wholesalers supplying only recommended record-keeping forms and guides. Several grocers suggested that their wholesaler might well

supply more supervisory assistance in record-keeping. A number of retailers suggested the desirability of the wholesaler providing assistance in completing Federal and State income tax forms and other reports, and a few suggested that the wholesaler maintain a list of recommended accounting firms.

Table 16.--Retailer suggestions for improved wholesaler assistance in record-keeping

Suggestions	: Retailers making suggestions	
	: Number	: Percent
Supply and guide in use of record-keeping forms and guides	42	35.9
Keep retailers informed on best or latest practices and procedures	19	16.2
Give retailers a statement of total purchases at end of year	14	12.0
Do record-keeping for retailer	13	11.1
Give retailers supervisory assistance in record-keeping	5	4.3
Other suggestions	24	20.5
Total	117	100.0

Personnel Training

Many wholesalers recognize it is of mutual benefit that their retail customers be aware of and adopt new and better ways of doing business. Some wholesalers have taken on the responsibility of informing their retailers about new developments in food retailing and training them to be more effective operators. Such programs have been carried on through group meetings, visits by salesmen and supervisors, and by bulletins. The subjects covered include meat merchandising, produce display, public relations and advertising techniques, accounting methods, hiring and instructing employees. Store personnel training practiced by wholesalers and as used in this report means training for the grocery store operator as well as the people he may employ. Wholesalers can be classified in two groups according to the kind of store personnel assistance they provide for their retailers; both kinds are represented in the survey.

One group of wholesalers in this survey provided very limited assistance in training store personnel. Sometimes they sent their customers circulars and bulletins on improved food retailing techniques

and booklets that could be used as training guides. Their salesmen and supervisors sometimes advised grocers on food merchandising, hiring competent help, and other operating problems, but this was done on an informal basis. These wholesalers made no concerted effort to train retailers or store employees.

The other group of wholesalers in this study used all three of the above-mentioned techniques in training retailers and their employees. These wholesalers had regular group meetings or clinics where problems such as effective methods of displaying merchandise and profitable methods of operating produce and meat departments were demonstrated and discussed. In addition, salesmen and supervisors were trained and requested to assist the retailer with problems he may have on store operations. Bulletins were used in addition to meetings and personal visits.

Retailer reception of personnel training assistance

Of the retailers surveyed, 24 percent reported they had received assistance from their wholesalers in training store personnel. Differences in use of training assistance and opinions on its value are related to the kind of services available, business volume, and retailer group affiliation.

The kind of store personnel assistance offered by the wholesaler influences retailer interest and acceptance. Thirty-four percent of the retail customers of wholesalers offering extensive assistance reported they had made use of the available help. In contrast, only 10 percent of the customers of wholesalers limiting their assistance to printed materials reported they had received wholesaler aid (table 17). Apparently, few retailers obtained enough help from such sources to recall they had received the material.

Table 17.--Relationship between assistance on personnel training available from the wholesaler and retailer use of such assistance

Assistance available to retailers	Using assistance	Not using assistance:			
		Not wanting	Not commenting	Not commenting	All retailers
	Percent	Percent	Percent	Percent	Number
Extensive	34.0	7.1	58.9	100.0	758
Limited	10.2	18.4	71.4	100.0	731
Total number of retailers	362	172	955		1,489

As volume of business increased the use of wholesaler assistance in training personnel increased. Of the retailers with a business volume in excess of \$200,000 annually, more than 37 percent reported using assistance whereas less than 14 percent of the retailers with a business volume of less than \$50,000 reported using store personnel assistance (table 18).

Table 18.--Relationship between retailer business volume and use of wholesaler assistance on training store personnel

Retailer annual business volume	Using assistance	Not using assistance:			All retailers
		Not wanting	Not commenting		
	Percent	Percent	Percent	Percent	Number
Under \$50,000 . . .	13.9	20.0	66.1	100.0	554
\$50,000 to \$100,000	28.7	8.3	63.0	100.0	495
\$100,000 to \$200,000	30.7	6.0	63.3	100.0	319
\$200,000 and over .	37.2	3.3	59.5	100.0	121
Total number of retailers	362	172	955		1,489

Grocers in the smaller stores tended to be satisfied with pamphlets, bulletins, and other printed material on store operations. These grocers felt printed material would keep them informed on new developments. Many said they would be unable to attend clinics or training sessions themselves and seldom employed any help. Grocers with a volume of business in excess of \$200,000 per year said they welcomed any assistance the wholesalers could make available to them to properly train the people they hire. Many of these grocers wanted to have regular classes or clinics to which they can go or send their employees. They recognized their own limitations in properly training store employees. Moreover, they usually employed sufficient help to permit someone to attend clinics or training sessions even during store hours. Many operators of larger stores felt assistance in training store personnel was probably the most important single assistance program the wholesaler could offer.

Although more than 75 percent of the grocers in the study did not use personnel training assistance, less than 12 percent reported they did not want or did not need such assistance. Most of these were smaller stores buying from wholesalers who offered limited aid. The remaining 64 percent probably include some who did not want or did not need such assistance; a large number, however, would probably use personnel assistance if the proper kind were available. If wholesalers take the

lead in improving the efficiency of personnel in independent grocery stores, they are likely to find a ready welcome from many of their retailers who have hired employees.

Another factor affecting acceptance of wholesaler assistance in training store personnel was affiliation with the wholesaler. More than 52 percent of the grocers belonging to voluntary groups reported receiving personnel training assistance whereas only 12 percent of the nonaffiliated grocers had received such help. Retail grocers belonging to voluntary groups were more likely to have assistance available and to take advantage of meetings and other forms of training offered by their wholesaler. Group meetings helped the grocer learn more about the particular subject covered in the sessions. Some grocers said the meetings also helped them acquire ideas on a wide range of problems shared in common with other retailers.

Retailer suggestions on ways to make
personnel training assistance more helpful

Of the grocers surveyed, 203 or 13 percent suggested ways in which personnel training assistance could be improved. Grocers with a relatively large volume of business and those for whom extensive assistance was available made the most suggestions for improving service. Apparently, grocers who were most familiar with available assistance were most aware of how valuable the aid was and how much more might be done.

Almost 31 percent of the grocers with a volume of business in excess of \$200,000 annually recommended improved practices whereas less than 5 percent of the grocers with a volume of business less than \$50,000 annually made suggestions.

Requests for wholesalers to provide training sessions and clinics on store operations were made by 76 grocers in this study. Most of these grocers were above average in business volume. Some of these grocers particularly emphasized the need to develop a cashier training program. Retailers making this suggestion said they thought more efficiency could be obtained through a training program conducted by the wholesaler. Some retailers said that new cashiers and other store personnel were probably not performing at their best because the employer had been unable to train them properly.

Several grocers who have participated in training clinics suggested that such sessions be held more frequently.

The next most frequent suggestion, made by 50 grocers, was that wholesalers provide more material on how different store operations should be performed. Such material should include circulars and pamphlets on new developments in food retailing, such as how to operate

a self-service meat department, or how to get better part-time help. Many retailers said they would adopt ideas from circulars, pamphlets, or bulletins if the ideas appeared sound. Others, wishing to keep abreast of new developments, wanted such material even if they had no immediate intention of changing current practices.

Other retailers suggested that their wholesaler might well develop a personnel employment and placement service. Some grocers believed the wholesaler could maintain a list of qualified store personnel to meet the needs for normal personnel turnover and to fill vacancies due to illness. A list as proposed by these retailers would include the names, addresses, qualifications, and experience of possible employees. Some retailers suggested that a separate list of persons desiring temporary employment be maintained.

RETAILER VIEWS ON PROPOSALS TO REDUCE WHOLESALER DELIVERY COSTS

Because delivery is a major item in wholesaler operating costs, numerous proposals for reducing delivery costs have been discussed by the industry. Among proposals frequently mentioned are minimum order size, once-a-week delivery, assisting drivers in unloading, acceptance of orders without checking at time of delivery, and paying drivers for merchandise delivered the previous trip. To get retailer views on these proposals, grocers were asked if they were now following these practices, favored them, or did not agree with them. In almost every case a large number of retailers were willing to accept proposed changes in delivery service if delivery costs could thereby be reduced and some of the savings reflected in wholesaler prices. Retailer views on specific procedures are given below.

Minimum-Size Orders

More than 20 percent of the grocers surveyed reported their wholesalers now following the practice of setting minimum-size orders for deliveries. Among customers of wholesalers who did not have a minimum order policy, 528 or almost 50 percent favored the proposal (table 19). Many of them said they knew it was not good business to make deliveries on very small orders; some commented they would not make regular deliveries of a bottle of milk or a loaf of bread.

Table 19.--Relationship between retailer association with their wholesaler and views on minimum-size orders

Retailer association with: wholesaler	Retailers views on minimum-size orders :				All retailers
	Agree to policy	:Worthwhile but: not acceptable:	Disagree with policy:		
	Percent	Percent	Percent	Percent:	Number
Affiliated.....:	62.5	23.0	14.5	100.0	269
Not affiliated...:	45.1	26.0	28.9	100.0	799
Total number of retailers.....:	528	270	270		1,068

Among the principal factors affecting views on minimum order sizes were: (1) Affiliation with the wholesaler, (2) retailer business volume, (3) facilities for picking up orders at the warehouse, and (4) location of the store within a wholesaler's delivery route.

As shown in table 19, a larger proportion of the grocers belonging to voluntary groups favored a minimum order policy than did non-affiliated grocers. Many grocers who favored the proposal stated the

minimum-size order to be delivered should be \$100 or more; otherwise, they said it could not help reduce delivery costs. Other retailers agreed to the policy in principle but thought the wholesaler should not make such a rule.

As business volume increases a higher proportion of the retailers favored a policy of minimum-size orders (table 20).

Table 20.--Relationship between retailer business volume and views on minimum-size orders

Retailer annual business volume	Retailers views on minimum-size orders:				Number
	Agree to policy	Worthwhile but not acceptable	Disagree with policy	All retailers	
	Percent	Percent	Percent	Percent	
Under \$50,000....	34.4	30.2	35.4	100.0	384
\$50,000 to \$200,000.....	60.4	22.1	17.5	100.0	503
\$200,000 and over:	70.2	16.4	13.4	100.0	67
Total number of retailers.....	483	238	233		954

About 25 percent of the grocers did not agree to minimum-size orders. These grocers said they were located too far from the warehouse or had no means of getting there to pick up an order. Other grocers said the wholesaler's truck came by anyhow and it would take little time to leave a small order. Some grocers felt the wholesaler should not tell the retailer how much to order.

Once-a-Week Delivery

Approximately 44 percent of the grocers in the survey reported that their wholesalers made only one delivery a week. Of the 624 grocers receiving several deliveries per week, more than 50 percent said they agreed with the once-a-week delivery policy and would be willing to try it if the wholesaler asked. An additional 24 percent said the proposal might be worthwhile, but was not acceptable to them.

Almost 26 percent of the grocers did not agree with the proposal. Their chief reasons for not agreeing were: (1) Distance from the wholesaler's warehouse was too great to pick up fill-in items, and some things were likely to be overlooked in the regular order; (2) lack of space to store a weekly supply of groceries; and (3) needed items in dry groceries could be delivered along with produce which required delivery oftener than once a week.

The survey indicates that wholesale grocers attempting to reduce grocery delivery costs would find that many of their customers now receiving several deliveries a week would be willing to cooperate on a weekly delivery if savings were reflected in lower prices. Retailer views on a policy of once-a-week delivery were similar for all grocers in the survey regardless of business volume.

Assist Drivers in Unloading Merchandise

Nearly 23 percent of the grocers reported they usually assisted drivers in unloading merchandise. Many of these grocers reported that they assisted in the unloading while they checked the order. Of the grocers not presently assisting drivers in unloading merchandise, 30 percent said they would be willing to adopt this proposal if reduced delivery costs were reflected back to them in reduced prices (table 21). An additional 20 percent said the proposal might be worthwhile but they would not adopt the practice themselves. The remaining 50 percent of the grocers said they did not agree with the proposal. Retailers having a volume of business above \$200,000 were more willing to adopt this practice, because they could usually spare one person long enough to assist the driver in unloading.

Table 21.--Relationship between retailer business volume and views on assisting delivery truck drivers to unload merchandise

Retailer annual business volume	<u>Retailer views on assisting drivers</u>				Number
	<u>Agree to policy</u>	<u>Worthwhile but not acceptable</u>	<u>Disagree with policy</u>	<u>All retailers</u>	
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	
Under \$50,000....	22.4	20.7	56.9	100.0	362
\$50,000 to \$200,000.....	31.3	19.6	49.1	100.0	536
\$200,000 and over:	61.9	14.3	23.8	100.0	63
Total number of retailers.....	288	189	484		961

Almost 47 percent of all of those not agreeing to help drivers unload merchandise gave as the reason for not agreeing their physical inability to help; usually the store was operated by an elderly man or woman with no assistant. An additional 30 percent of the grocers stated the delivery truck usually arrived when they were busy with customers and they had no one available who could assist with the unloading while customers were being served. Some grocers said there might be difficulty with unionized truck drivers if such a proposal were adopted. Several grocers said they considered it the wholesaler's job

to unload the merchandise and that if economies were to be inaugurated other areas should be investigated.

Most of the grocers recognized that helping the driver to unload speeded the delivery operation and thereby contributed to lower delivery costs. Results of the survey indicated grocery wholesalers would find many of their customers willing to help in reducing delivery costs through assisting drivers. Assistance from retailers willing and able to help unload merchandise could mean a substantial saving in route time even if many of the smaller grocers on the route could not help.

Accept Orders at Time of Delivery Without Checking

Of the grocers in the survey, 19 percent reported they were following the practice of accepting orders without checking at time of delivery. Some of these grocers said the wholesalers accepted their word for any errors in an order checked after the driver left. By following this procedure many grocers believed they saved the driver time and could check the order more conveniently and completely. Other grocers said the driver usually was unable to make adjustments on the order and that the wholesalers readily made adjustments when they were telephoned about an error.

Almost 29 percent of the 1,094 grocers in the survey who were not following the practice of accepting orders without checking at the time of delivery said they would be willing to try the practice. An additional 14 percent said the proposal might be worthwhile but they did not think it would work for them. The remaining 57 percent of the grocers said they would not adopt the proposal.

More than 50 percent of the grocers who gave reasons for not agreeing with the proposal said there would be too much opportunity for dishonesty. Over 31 percent of the grocers disagreeing with the proposal said errors were too frequent, and there might be more errors if they did not check orders while the driver was present. The remaining grocers said they assisted drivers in unloading merchandise, checking the order at the same time, so no time would be saved by not checking immediately.

Pay Driver for Merchandise Delivered on Previous Trip

Grocers were asked their views on paying drivers for merchandise delivered on the previous trip and the elimination of all other credit. This proposal embodies two suggestions: First, that the driver collect the bill for the previous order delivered when salesman are not used to call on the trade, and second, that credit be restricted, limited to

the week between deliveries. Although there was general agreement on limiting credit to the week between deliveries, there was considerably less willingness to pay the driver.

Only 7 percent of the grocers in the study stated they were following this procedure in paying for orders. These retailers seldom saw a salesman from the wholesaler.

One out of three grocers who did not follow the practice of paying drivers for groceries stated they agreed with the idea and would be willing to adopt it. Many of them recognized that if collections were made by drivers they could mail in their orders and a salesman would not need to visit them regularly. Approximately 17 percent of the grocers said the proposal might be worthwhile but it did not suit their operation. The remaining 50 percent of the grocers said they would not adopt the proposal.

Of the grocers disagreeing with this proposal, 73 percent implied that drivers should not be responsible for handling large sums of money. Many of these grocers added that it would be difficult to settle differences in the account with drivers. These grocers preferred to pay the salesman, especially since he visited them each week to pick up the grocery order. Some of them indicated they would be willing to have the driver collect if the salesman did not call regularly. Nine percent said they disagreed with paying drivers, stating they preferred either to be billed and to mail in a check, or to remit in some other way.

Few grocers in the study stated that elimination of credit beyond the time between deliveries was too restrictive. Although some grocery wholesalers extend credit beyond this period, most retailers believed credit on grocery orders should be limited.

TAILORING POLICIES AND ASSISTANCE TO NEEDS OF DIFFERENT RETAILERS

Grocers who have been giving most thought to the relations between independent retailers and their wholesalers pointed out that different kinds of grocery operations present different needs. Some of them said that unless the wholesalers recognize these differences they will satisfy few grocers, even though they may spend considerable sums on retailer assistance programs. Constructively, they said that the policies and programs of assistance of a wholesaler should be tailored to help each retailer attain his fullest growth. In this way, they concluded, the wholesaler's own growth is assured.

Grocers with a small business volume view their relations with the wholesaler differently from operators of larger stores, although the need for wholesaler leadership appears as great. Many of the small grocers recognize this even as they declare that promotions and "fancy" store layouts probably will not help them. Some of them were aware, however, that advice tailored to the needs of the smaller store could help them meet some of their problems. They said, for example, a specialist on a wholesaler's staff might help a small independent decide to improve his position by concentrating on delicatessen and convenience items rather than trying to carry full lines of groceries, meats, and produce. In another case, a wholesaler's representative might point out how the small grocer could build up his afternoon trade among youngsters shopping for their mothers. In still another instance, the workload of the grocer could be lightened and costly part-time help reduced by shifting cases and shelving to permit partial self-service.

These retailers need the wholesaler's help, but it must be practical for them. In their opinion, the wholesaler's gain would come from the improved position of the small store, the good will such assistance would build, and the kind of purchasing that follows from retailer loyalty. Thus, a wholesaler could continue to service the smaller grocer to their mutual profit.

Retailers in the middle group believe that with proper wholesaler cooperation they could increase their business volume. Their ideas on cooperation ranged from the wholesaler's pricing policies to advertising and financial assistance. For example, they wanted their wholesalers to recognize that it costs proportionately less to service a large order than a small order and they wanted the savings to be reflected in the wholesale prices to them. Some urged their wholesalers to use a cost-plus system of pricing for the larger stores, or to develop some quantity discount system. Further to promote price reductions, most of these retailers were willing to write up their own orders without having a salesman call, accept one delivery a week, assist the driver in unloading merchandise, and perform other tasks which help the wholesaler to reduce costs.

Most of these grocers were promotion- and advertising-minded. They felt that, in cooperation with their wholesalers, they could offer the kind of promotions and afford the kind of advertising they needed. They wanted the wholesalers to recognize the individual needs of the grocers and to plan their programs accordingly. For example, newspaper and radio advertising in a wholesaler's city may be suitable for retailers in the territory covered by such media, but are not so useful for grocers in the outlying areas. Some grocers draw their business from a relatively small, concentrated neighborhood, and they felt that handbills and mail circulars helped them a great deal; others were located on major thoroughfares and preferred attractive window signs. The nature of each retailer's business presents special problems and special assets from a promotional point of view; these grocers would like their wholesalers' cooperation in overcoming the problems and capitalizing on the assets.

Similar considerations influenced the views of these retailers on such assistance as store layout and engineering. They wanted plans tailored to their present sites and to their present financial abilities. They felt that plans which do not adequately consider the individuality of the store, its trade and potentiality may be costly to the wholesaler and of little use to the retailer. Some of them said they have had ideas on store improvements for some time but they needed an expert on store engineering to translate these ideas into reality. The important problem for others is financing; they would like their wholesalers to help them work out satisfactory arrangements for financing.

Retailers with a large volume of business who purchase through service wholesalers have needs that especially call for individual attention. Although their requirements in pricing, store operations, promotions, and advertising are similar to those of the second group of stores, some feel they should have special consideration because of their large-volume purchases. Moreover, some are likely to have positive ideas on how the suppliers can help; for example, some of these grocers said the wholesalers could be particularly helpful by offering a training program for store managers and employees.

Some basis for tailoring assistance programs to the needs and views of different types of grocery operations were suggested in the discussions of specific kinds of wholesaler assistance. A careful appraisal of the needs of different groups of retailers makes it possible for a wholesaler to offer the kind of assistance that is acceptable to each group. Thus, the cost of programs to help retailer customers may be held down and their usefulness and effectiveness kept high.



